May 12, 2008

WORKING CAPITAL FUND

FY 2008 Second Quarter Report: Summary

I. Relation of Earnings to Expenses

Based on our reviews, the Fund is performing in a manner consistent with past years. Most businesses are expected to break even. Earned revenue for the Fund has totaled slightly over $58.5 million for the Second Quarter, on track for an annual level of approximately $116.9 million as forecast in Table III of the March bill. Business Expense for the same period was $60.1 million resulting in net income of -$1.6 million.

WORKING CAPITAL FUND			
FY 2008 Second Quarter Cumulative Business Results (in Millions)			
TABLE I			
Business Line	**Second Quarter Earnings**	**Second Quarter Business Expenses**	**Second Quarter Net**
Supplies	$1.5	$1.5	$0.0
Mail	$1.2	$1.3	-$0.1
Copying	$1.1	$0.8	$0.3
Printing/Graphics	$1.3	$1.3	$0.0
Building Occupancy	$37.6	$40.0	-$2.4
Telephones	$4.7	$5.0	-$0.3
Network	$3.4	$2.7	$0.7
Procurement Services	$0.4	$0.5	$(0.1)
Payroll Processing	$1.0	$1.0	$0.0
CHRIS	$1.1	$1.2	-$0.1
Corp Training Services	$0.2	$0.1	$0.1
PMCDP	$0.5	$0.5	$0.0
STARS	$2.4	$2.5	$(0.1)
Financial Controls	$2.0	$1.6	$0.4
TOTAL [1]	**$58.5**	**$60.1**	**-$1.6**

Each business is expected to achieve a balance between annual ‘earnings’ (billings to customers pursuant to Board-approved pricing policies) and ‘expenses’ (accrued contractual costs adjusted for depreciation, inventory changes, and related business-type costs). Quarterly analyses are intended primarily to identify emerging annual issues that warrant changes to pricing policies. With few exceptions, the net earnings by business line are consistent with a longer-term breakeven position. Specific differences in excess of $50,000 are as follows:

1 When converting from whole dollars to tens of millions total amounts do not always add due to rounding.

- The Mail Business Line experienced net earnings of -$79,336 due to infrastructure costs not covered by mail stop revenue. This loss was expected and the Board has already approved a pricing policy increase in the FY 2009 budget.

- The Copy Business Line experienced net earnings of $259,853, due to small profits in dedicated copier and greater sales of color copies in the Staff Copy Centers.

- The Building Occupancy Business Line experienced net earnings of -$2,421,197, through the Second Quarter due to long term construction expenses earned in prior years, offset by reduced spending in the Electronic Services segment of the business.

- The Phone Business Line experienced net earnings of -$268,971, due largely to the charge for the SONET ring that is a network expense. This charge will be reversed and charged to Network next quarter.

- The Network Business Line experienced net earnings of $677,171, due in part to the charge above and to excess earnings allowed to support the phone integration plan.

- Procurement Services experienced net earnings of -$132,780, due to closing out contracts in the Second Quarter that generate less revenue. We expect the net to be zero at year end.

- Payroll experienced net earnings of $57,824 due to below-plan DFAS billing.

- Corporate Training experienced net earnings of $136,920, due largely to the effect of large class size, significantly above the break even required for each class.

- STARS experienced net earning of -$139,962, due to operating at a higher level of activity than the budget. For this reason the pricing policy is increased in FY 2009.

- The Financial Reporting Control Assessment Business Line experienced net earning of $371,275, due to reduced operating costs due to earlier investments.

Both earnings and expenses reported above have been adjusted from the STARS accounting to present the Fund's financial results with the most accurate and latest information. Specifically, we have adjusted earnings by a net change of -$6.3 million because certain business lines have revenue segments that, while charged annually, should be reflected as earned in quarterly reports in 25% increments. Telephone results have also been adjusted $0.6 million to offset the reverse billing for August/September usage billed in October/November. Costs have been adjusted down by $3.4 million for a capital charge to phones which should not have been costed ($4.9 million) and to reflect inadequate accruals to the accounting system.

II. Relation of Customer Payments to Anticipated Customer Billings

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Obligation authority for Fund businesses is derived from customer advance payments for services. The Board has adopted procedures calling for customers to make full-year advance payments into the Fund once appropriations are available. By March, 2008 we had collected $100.2 million (including prior year funding) compared to $63.6 million in FY 2006 and compared to the estimated $116.9 million in FY 2008 annual revenues.

WORKING CAPITAL FUND			
FY 2008 Second Quarter Cumulative Business Results (in Thousands)			
TABLE II			
Program Customer	**Annual Estimate**	**Customer Advances**[2]	**Difference**
Bonneville Power Administration	$ 195	N/A	N/A
Office of the Chief Financial Officer	5,243	6,036	793
Congressional & Intergovtl Affairs	708	699	-9
Economic Impact and Diversity	698	726	28
Energy Efficiency	9,135	5,130	-4,005
Energy Information Administration	6,833	3,249	-3,584
Environmental Management	9,400	9,497	97
Fossil Energy	4,074	4,105	31
General Counsel	3,303	3,469	165
Office of Human Capital	2,438	1,626	-812
Hearings and Appeals	933	377	-556
Health, Safety, and Security	8,982	9,438	456
Inspector General	1,734	1,766	32
Chief Information Officer	6,077	4,338	-1,739
Intelligence	5,158	6,067	909
Legacy Management	643	686	42

2 Customer advances include prior year customer advances. (see Table III).

WORKING CAPITAL FUND			
FY 2008 Second Quarter Cumulative Business Results (in Thousands)			
TABLE II (continued)			
Program Customer	**Annual Estimate**	**Customer Advances**	**Difference**
Office of Management and Admin.	9,786	9,270	-516
NNSA	23,160	17,207	-5,953
Nuclear Energy	3,074	3,133	60
Naval Reactors	498	415	-83
Electric Trans & Distribution (OE)	1,358	1,365	7
Public Affairs	480	483	3
Policy and International Affairs	2,043	1,282	-762
CRWM	2,009	1,578	-431
Office of the Secretary	1,275	1,072	-204
Science	6,733	7,042	310
WAPA/SWPA/SEPA	994	N/A	N/A
Total, Working Capital Fund	**$116,888**	**$ 100,165**	**$15,534**

III. Relation of Payments to Obligations by Business Line

There have been no violations of administrative control of funds procedures by WCF business lines. As shown in Table III, allocations exceeded obligations by an estimated $ 53.5 million by the end of the Second Quarter. This was due largely to delays within the fiscal quarter in acquiring customer funding, and the cautious behavior of the various businesses during the continuing resolution.

The structure of Table III has changed to show the impact of the Board's decision to obligate program funding at the WCF level and to allocate funding to businesses as needed. The Fund Manager's Reserve reflects the prior year unobligated balances and current year customer advances that have not yet been allocated to specific businesses. This Reserve practice allows administrative efficiencies for program billing, maintains a lower reserve requirement for the Fund as a whole, and improves internal controls by managing business equity centrally.

WORKING CAPITAL FUND FY 2008 SECOND QUARTER BUSINESS RESULTS (IN MILLIONS)			
TABLE III			
Business Line	**Total Allocations**	**Second Quarter Obligations**	**Advances Remaining to be Obligated**
Supplies	$ 3.0	$ 1.8	$ 1.2
Mail	1.3	0.4	0.9
Copying	2.1	1.0	1.1
Printing/Graphics	2.4	1.0	1.4
Building Occupancy	56.3	38.1	18.2
Telephones	14.0	9.5	4.5
Network	4.8	1.5	3.3
Procurement Services	0.7	0.0	0.7
Payroll Processing	1.5	0.8	0.7
CHRIS	2.1	0.7	1.4
Corp Training Services	0.2	0.1	0.1
PMCDP	1.0	0.4	0.6
STARS	3.7	2.4	1.3
Financial Controls	4.0	1.4	2.6
Fund Mgrs Reserve	15.6	0.0	15.6
TOTAL	**$ 112.7**	**$ 59.2**	**$ 53.5**

IV. Changes in Budget Estimates by Business Line and Customer

The $6.9 million decrease from the March 2006 to the December 2006 estimate for FY 2008 was the result of eliminating External Independent Reviews ($7.0 million). In executing FY 2008, estimates for Building Occupancy have increased by $3.9 million. The other businesses have slight offsetting differences from earlier estimates.

FY 2008 Budget Estimates for WCF Businesses		
Date	Process	FY 2008 Billing Estimate ($Millions)
March 2006	FY 2008 Corporate Review	$120.1
December 2006	FY 2008 Congressional Budget	$113.2
December 2007	FY 2009 Congressional Budget	$113.2
March 2008	March WCF Bill	$116.9

V. Anticipated Need to Change Pricing Policies or Make Substantial Changes in Operating Levels.

Based on the Second Quarter reviews with the businesses the Fund Manager does not foresee a requirement to change pricing policies for the current year. However, we anticipate the need for Board review of pricing policies in the Building, Phones, Network, and the Project Management Career Development Program (PMCDP) for the FY 2010 budget.

- The Phone and Network businesses have been collecting capital to finance the modernization that began this fiscal year. Future capital requirements are probably less than current billing, and there is a need for a working group to make further recommendations to the Board for the FY 2010 budget.
- The Building business is projecting the need for increased contractual support.
- PMCDP may require expanding the pricing policy to develop other programs.

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VI. Financial Management Systems Progress

The WCF billing system continues to successfully produce timely and accurate monthly bills. The chart below indicates the billing performance related to transferring customer-billing information to STARS by the second working day of the month. This allows the Fund staff, with the cooperation of EFASC officials, to have the billings entered into STARS each month before the accounts are closed. A minus two (-2) indicates that billing was forwarded two days before the deadline. This standard provides customers with costs reported in STARS in the same month they occur. The time between the end of the month and the issuance of the bill is extremely consistent.